

Message Text

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ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 COME-00 DOTE-00 AGR-20 AID-20

INRE-00 SSO-00 RSR-01 RSC-01 /065 W

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC NIACT IMMEDIATE 5739

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E. O. 11652: N/ A

TAGS: ETRN, MX

SUBJ: RETURN OF US RAIL CARS

REF: STATE 085556

1. FOLLOWING RECEIPT REFTEL, ECONOMIC COUNSELOR, AGRICULTURAL ATTACHE' AND TRANSPORTATION ATTACHE' REQUESTED AND OBTAINED APPOINTMENT EVENING OF MAY 4 WITH LIC. JORGE DE LA VEGA, DIRECTOR GENERAL OF CONASUPO (COMPANIA NACIONAL DE SUBSISTENCIAS POPULARES) TO DISCUSS PROBLEM. WE DECIDED APPROACH CONASUPO FIRST BECAUSE OF BELIEF COMMODITIES IN BOX CARS AT BORDER CONSISTED ALMOST ENTIRELY OF BASIC FOOD SUPPLIES PURCHASED BY CONASUPO.

2. DE LA VEGA AND OTHER CONASUPO OFFICIALS CONFIRMED THIS AND SAID THAT BADLY NEEDED WHEAT, CORN, SOY MEAL WERE NOW AT BORDER WITH ADDITIONAL AMOUNTS IN PIPELINE. ACCORDING DE LA VEGA IF 38,000 TONS OF WHEAT NOT RECEIVED FROM THESE SUPPLIES WITHIN NEXT WEEK, BAKERS IN MEXICO CITY WOULD BE FORCED SHUT DOWN OWING LACK OF SUPPLIES. HE SUGGESTED EMBASSY REPRESENTATIVES DISCUSS MATTER WITH FNM DIRECTOR VILLASENOR WITH WHOM HE HAD PREVIOUSLY BEEN IN CONTACT AND PERSONALLY CALLED VILLASENOR TO SET UP APPOINTMENT AT 12:30 ON MAY 5. DE LA VEGA REQUESTED THAT EMBASSY REPRESENTATIVES INFORM HIM NOT LATER THAN MONDAY MAY 7 WHETHER ACCEPTABLE SOLUTION TO PROBLEM SEEMED POSSIBLE. ECONOMIC COUNSELOR SAID IT MIGHT

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BE DIFFICULT GIVE INFORMED OPINION UNTIL LATER CONSULTATION WITH WASHINGTON AND AAR OFFICIALS MEETING IN HOUSTON MAY 7, BUT AGREED CALL DE LA VEGA MONDAY MORNING TO GIVE PROGRESS REPORT. DE LA VEGA SAID IF NO SOLUTION IN SIGHT BY MONDAY HE WOULD REQUEST APPOINTMENT WITH PRESIDENT ECHEVERRIA MONDAY EVENING TO INFORM HIM OF DIFFICULTIES AND ELICIT HIS HELP.

3. CONASUPO OFFICIALS SAID THEY WILLING TO DO EVERYTHING WITHIN THEIR POWER TO ASSIST, INCLUDING IMMEDIATE OFF-LOADING OF BOXCARS AND PLACING IN WAREHOUSES OF SUPPLIES FOR CONASUPO, IF NECESSARY TO AVOID DELAY.

4. TODAY ECONOMIC COUNSELOR AND TRANSPORTATION ATTACHE' MET AS SCHEDULED WITH LIC. MANUAL VILLASENOR, GENERAL MANAGER OF FNM, WHO OUTLINED FOLLOWING RECENT ACTIONS TAKEN TO AVOID EMBARGO BY EXPEDITING RETURN U. S. RAIL CARS:

A. EARLY APRIL SPECIAL COMMISSION CREATED AT MEXICO CITY, MONTERREY, GUADALAJARA, AND MONCLOVA TO TRACE U. S. CARS, PREVENT THEIR MISUSE, AND EXPEDITE RETURN.

B. APRIL 17 URGENT INSTRUCTIONS SENT ALL DIVISIONS TO RETURN IMMEDIATELY ALL U. S. RAIL CARS AT NEAREST OR MOST CONVENIENT POINT ON FRONTIER, NOT NECESSARILY ORIGINAL POINT OF ENTRY.

C. SENDING OF ADDITIONAL MEXICAN CUSTOMS PERSONNEL TO LOREDO TO SPEED DOCUMENTATION.

D. ON BASIS ESTIMATED EFFICACY ABOVE MEASURES FNM AGREED TO APRIL 26 PLAN WITH AAR OFFICIALS.

5. RESULT LARGE CONASUPO FOODSTUFF ORDERS, LOCOMOTIVE SHORTAGE AND LACK OF EFFECTIVE FOLLOW-THROUGH PLAN FAILED TO ACHIEVE OBJECTIVE. ACCORDING FNM FIGURES FROM APRIL 17 - MAY 3 NUMBER OF U. S. CARS IN COUNTRY INCREASED BY 750 AND SHORTFALL FROM AAR AGREEMENT TOTALLED 1,710, CALCULATED AS FOLLOWS:

CARS RECEIVED - 3,052

CARS RETURNED - 2,302
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PLUS 960 RETURNS NOT EFFECTED (60 CARS TIMES 16 DAYS).

6. SITUATION EXPECTED TO IMPROVE WITH DELIVERY OF 20 NEWLY PURCHASED LOCOMOTIVES MONTHLY BEGINNING MAY AND RECEIPT WITHIN PAST TWO WEEKS OF 4 LOCOMOTIVES FROM MISSOURI PACIFIC, ONE OR TWO FROM TEXMEX, AND TWO ADDITIONAL DUE SHORTLY FROM

MISSOURI PACIFIC.

7. AFTER HEARING VILLASENOR REPORT, ECONOMIC COUNSELOR INFORMED HIM OF DE LA VEGA'S OFFER PARAGRAPH 3. VILLASENOR CALLED DE LA VEGA FOR DETAILS OF CONASUPO PLAN WHICH CONSISTED OF OFFER TO UNLOAD ALL CONASUPO PRODUCTS, EXCEPT WHEAT, AT CONASUPO WAREHOUSES IN NUEVO LAREDO, GUADALAJARA, AND MONTERREY PERMITTING IMMEDIATE RETURN U. S. CARS WITH SUBSEQUENT DISTRIBUTION WITHIN MEXICO TO BE ACCOMPLISHED AT CONASUPO EXPENSE. VILLASENOR ACCEPTED OFFER AND SAID HE WAS NOW CONFIDENT THAT PROBLEM CAN BE RESOLVED QUICKLY.

8. ECONOMIC COUNSELOR SUGGESTED THAT FNM REPRESENTATIVES FROM MEXICO ATTEND MONDAY'S AAR MEETING IN HOUSTON TO EXPLAIN IN DETAIL PROPOSED SOLUTION. VILLASENOR ORDERED HIS ASSISTANT DIRECTOR MANUEL AVILA AND HIS TRAFFIC MANAGER RAMIREZ SOLANO, BOTH OF WHOM WERE PRESENT, TO ATTEND MEETING.

9. RECOMMENDATION: IN VIEW URGENT NEED BY MEXICO FOR BASIC COMMODITIES INVOLVED AND FACT THESE REPRESENT SIZEABLE AMERICAN EXPORTS, AS WELL AS APPARENT SINCERE EFFORTS GOM OFFICIALS RESOLVE PROBLEM, EMBASSY HOPES FNM OFFICIALS WILL BE ABLE CONVINCE AAR REPRESENTATIVES THAT PROPOSED MEASURES OFFER PROSPECT OF ACCEPTABLE SOLUTION TO DIFFICULTIES. IF IMPASSE STILL EXISTS AFTER MAY 7 MEETING HOWEVER, EMBASSY RECOMMENDS NO ACTION BE TAKEN RE EMBARGO PENDING FURTHER CONSULTATION WITH DE LA VEGA GIVING HIM OPPORTUNITY TO DISCUSS PROBLEM WITH PRESIDENT ECHEVERRIA. SUGGEST ABOVE INFORMATION BE COMMUNICATED TO APPROPRIATE OFFICIALS AAR AND ICC.

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 05 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MEXICO03084
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730537/aaaaiabn.tel
Line Count: 147
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 STATE 85556
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 23 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23-Jan-2002 by willialc>; APPROVED <12 FEB 2002 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 971215
Subject: RETURN OF US RAIL CARS
TAGS: ETRN, MX, ETRN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005